

Mainstay Energy
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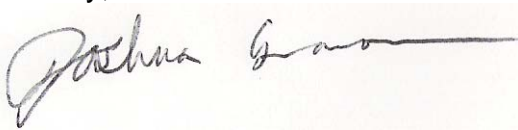
March 9, 2005

Harry Stoller
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

Mr. Stoller:

Mainstay Energy wishes to submit the following comments to the Illinois Commerce Commission regarding Governor Blagojevich's "Sustainable Energy Plan for Illinois." We appreciate the opportunity to participate in the process of developing an effective energy strategy which will support both Illinois' economy and environment. I hope I will have a chance to see you at the public comments session next Wednesday.

Sincerely,

A handwritten signature in black ink, appearing to read "Joshua Cynamon", is written over a light-colored rectangular background.

Joshua Cynamon
Director of Finance

cc: Michelle Mishoe

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Renewable Energy Procurement Standard

We recommend that the ICC remove the 75% carve-out for wind energy, for precisely the reasons stated for including it. As “Illinois’ most abundant and affordable renewable energy resource,” market forces will promote wind energy to the proposed position without further regulatory intervention. Illinois is home to a wealth of bioenergy resources, in the form of agricultural and lumber wastes. Without equal footing, these resources may go unused. This would result in Illinois’ citizens failing to benefit from valuable combined heat and power projects. Additionally, Illinois’ farmers would miss out on additional revenue opportunities.

There is one place where a carve-out is in order, and that is for solar energy generation sources. Because these resources continue to progress on a cost curve, and because some extra support will propel them to this potential, specifying these resources makes sense for Illinois. Existing Renewable Portfolio Standards – including New Jersey¹ and Nevada² – set a precedent with similar set-asides, which have led to impressive results.

Eligible Resources

We commend the Commerce Commission for including solar thermal energy, both electric and process heat, in the RPS. This resource is often underestimated in spite of its vast potential to reduce pollution and dependence on costly imported energy. Illinois stands to displace hundreds of millions or even

¹ http://dsireusa.org/library/includes/incentive2.cfm?Incentive_Code=NJ05R&state=NJ&CurrentPageID=1

² http://dsireusa.org/library/includes/incentive2.cfm?Incentive_Code=NV01R&state=NV&CurrentPageID=1

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billions³ of dollars annually in avoided natural gas imports by deploying this technology more broadly, for water and space heating.

Trading

Mainstay Energy recommends a system allowing full trading of renewable energy, both bundled and unbundled (i.e. Renewable Energy Certificates). This approach allows Illinois' ratepayers to achieve the renewable energy goals at the lowest cost. By setting up a system in which the least-cost producer provides the good, the Commerce Commission works with, rather than against, market forces.

Small-scale generators represent another resource for fulfilling the renewable energy requirements. By tracking production through conventionally accepted methods, the ICC would allow these distributed microgenerators to participate in the standard. This would provide them additional financial incentive to produce renewable energy at the point of consumption, reducing strain on the electric grid.

Non-compliance Penalties

Texas is home to what has become arguably the most successful state implementation of a renewable portfolio standard. This success is due in large part to their methodical approach to satisfying the RPS, and the penalties they impose for failure to do so. The Public Utilities Commission charges a fine of *"the lesser of \$50 or 200% of the average trading price of certificates"*⁴ for electric utilities failing to meet their renewable energy requirements. This has resulted in a

³ http://tonto.eia.doe.gov/dnav/ng/ng_move_state_dc_u_nus_a.htm

⁴ http://dsireusa.org/library/includes/incentive2.cfm?Incentive_Code=TX03R&state=TX&CurrentPageID=1

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consistent premium of approximately \$15/MWh for the renewable energy generators.

We believe that a compliance payment of \$50/MWh will motivate greater action than the proposed \$25/MWh. We also recommend a separate compliance payment for the solar carve-out (as is the case in New Jersey's RPS). Setting the fine for the solar requirement at a higher price will support the higher costs associated with installing these systems.

For questions or clarification, please contact:

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